

Docket	:	<u>A.13-11-003</u>
Exhibit Number	:	<u>ORA-02</u>
Commissioner	:	<u>Peevey</u>
ALJ	:	<u>Darling/Dudney</u>
Witness	:	<u>Jarjoura</u>



**OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
Southern California Edison Company
General Rate Case
Test Year 2014**

Summary of Earnings and Jurisdictional Allocation

San Francisco, California
August 4, 2014

TABLE OF CONTENTS

I. INTRODUCTION	1
II. SUMMARY OF RECOMMENDATIONS.....	1
III. DISCUSSION / ANALYSIS OF THE SUMMARY OF EARNINGS	2
IV. DISCUSSION / ANALYSIS OF JURISDICTIONAL ALLOCATION.....	8

SUMMARY OF EARNINGS And JURISDICTIONAL ALLOCATION

I. INTRODUCTION

The Summary of Earnings tables are displayed in this exhibit. The revenue requirements are calculated by a computer model developed by the Southern California Edison Company (SCE or Edison), which is referred to as the Results of Operations (RO) model. The data inputs are provided by the various witnesses for the Office of Ratepayer Advocates (ORA). These inputs are then used by the RO model to calculate the results of operations.

This exhibit also presents ORA's analysis and recommendations regarding jurisdictional allocation between the California Public Utilities Commission (CPUC or Commission) and the Federal Energy Regulatory Commission (FERC). The FERC has jurisdiction over the Independent System Operator (ISO) controlled portion of SCE's transmission and distribution (T&D) system. The CPUC has jurisdiction over the remaining T&D system as well as all the generation facilities owned by SCE.

II. SUMMARY OF RECOMMENDATIONS

The Results of Operations are summarized in five tables shown at the end of Section III of this exhibit.

- Table 2-1 contains ORA's recommended CPUC revenue requirements at present and proposed rates.
- Table 2-2 displays the comparison of ORA and SCE CPUC revenue requirements at present rates.
- Table 2-3 displays the comparison of ORA and SCE CPUC revenue requirements at proposed rates.
- Table 2-4 shows ORA's recommended revenue requirements at proposed rates detailing revenues for total company and the allocation between the CPUC and the California Independent System Operator (ISO) / Federal Energy Regulatory Commission (FERC) jurisdictions.

- Table 2-5 shows SCE's requested revenue requirements at proposed rates detailing revenues for total company and the allocation between the CPUC and ISO/FERC jurisdictions.

ORA also recommends that the Commission adopt the jurisdictional allocation factors used by Edison and ORA to allocate cost and revenue requirement between the two jurisdictions subject to changes that may occur due to further analyses of the allocation model.

III. DISCUSSION/ANALYSIS OF THE SUMMARY OF EARNINGS

SCE revised the RO model used in the 2012 General Rate Case (GRC) to provide "a more streamlined calculation of Federal and State tax depreciation expenses." ORA performed limited testing of the RO model filed with SCE's application on November 12, 2013, and found it to reflect a reasonable calculation of the Summary of Earnings. On February 10, 2014, SCE updated its RO model to reflect the sale of SCE's share of the Four Corners power plant. On April 8, 2014 SCE provided another updated RO that reflects the removal of San Onofre Nuclear Generating Station (SONGS) revenue requirement. ORA did not have the time to test these two updated versions and may do so at a later date.

ORA used SCE's April 8 updated version to calculate the results of operation contained in its showing. The various ORA witnesses provided the input data for the RO model. Discussions and analyses of the input data are contained in various ORA exhibits. ORA made some minor modifications to the RO model to accommodate ORA's witnesses' requests so that the model can properly reflect their recommendations.

The values shown in the following tables were extracted from two versions of the RO model. Values shown in the SCE columns were extracted from the RO version 4.0 that was submitted on April 8, 2014. Numbers displayed in the ORA columns were extracted from an ORA scenario adapted from the RO version that was updated by SCE for removal of SONGS and was provided to ORA on April 8, 2014.

TABLE 2-1					
SCE GRC Test Year 2015					
ORA Summary of Earnings At Present And Proposed Rates					
CPUC Jurisdiction					
Thousands of Nominal Dollars					
line No	Description	ORA Revenues at Present Rates	ORA Revenues at Proposed Rates	ORA'S Proposed Increase (\$)	ORA'S Proposed Increase(%)
1	OPERATING REVENUES:				
2	Base Rate Revenue	\$5,632,680	\$5,168,067	-\$464,613	-8.25%
3	OPERATING EXPENSES:				
4	Production				
5	Steam	\$2,757	\$2,757	\$0	0.00%
6	Nuclear	\$73,818	\$73,818	\$0	0.00%
7	Hydro	\$48,872	\$48,872	\$0	0.00%
8	Other	\$108,937	\$108,937	\$0	0.00%
9	Subtotal - Production	\$234,384	\$234,384	\$0	0.00%
10	Amortization of Legacy Meters	\$64,500	\$64,500	\$0	0.00%
11	MoJave Credit	-\$227	-\$227	\$0	0.00%
12	SONGS Credit	\$0	\$0	\$0	NA
13	Transmission	\$83,356	\$83,356	\$0	0.00%
14	Distribution	\$445,701	\$445,701	\$0	0.00%
15	Customer Accounts	\$141,654	\$141,654	\$0	0.00%
16	Uncollectibles	\$12,635	\$11,461	-\$1,174	-9.29%
17	Customer Service & Information	\$37,004	\$37,004	\$0	0.00%
18	Administrative & General	\$753,900	\$753,900	\$0	0.00%
19	Franchise Requirements	\$51,812	\$47,001	-\$4,810	-9.28%
20	Revenue Credits	-\$156,080	-\$156,080	\$0	0.00%
21	Subtotal	\$1,604,366	\$1,598,382	-\$5,984	-0.37%
22	Escalation	\$106,696	\$106,696	\$0	0.00%
23	Depreciation	\$1,428,452	\$1,428,452	\$0	0.00%
24	Taxes - Other	\$240,255	\$240,255	\$0	0.00%
25	Taxes - Income	\$525,557	\$403,959	-\$121,598	-23.14%
26	Subtotal - Taxes	\$765,812	\$644,214	-\$121,598	-15.88%
27	TOTAL OPERATING EXPENSE	\$3,905,326	\$3,777,743	-\$127,583	-3.27%
28	NET REVENUE	\$1,727,354	\$1,390,323	-\$337,031	-19.51%
29	RATE BASE	\$17,627,554	\$17,627,554	\$0	0.00%
30	RATE OF RETURN	9.80%	7.89%	-1.91%	-19.51%

TABLE 2-2					
SCE GRC Test Year 2015					
Comparison of Summary of Earnings At Present Rates					
CPUC Jurisdiction					
Thousands of Nominal Dollars					
line No	Description	SCE Revenues at Present	ORA Revenues at Present	SCE Exceeds ORA (\$)	SCE Exceeds ORA (%)
1	OPERATING REVENUES:				
2	Base Rate Revenue	\$5,632,680	\$5,632,680	\$0	0.00%
3	OPERATING EXPENSES:				
4	Production				
5	Steam	\$7,343	\$2,757	\$4,586	166.35%
6	Nuclear	\$73,818	\$73,818	\$0	0.00%
7	Hydro	\$53,225	\$48,872	\$4,353	8.91%
8	Other	\$122,668	\$108,937	\$13,731	12.60%
9	Subtotal - Production	\$257,054	\$234,384	\$22,670	9.67%
10	Amortization of Legacy Meters	\$64,500	\$64,500	\$0	0.00%
11	MoJave Credit	-\$269	-\$227	-\$43	18.77%
12	SONGS Credit	\$0	\$0	\$0	NA
13	Transmission	\$93,645	\$83,356	\$10,289	12.34%
14	Distribution	\$548,384	\$445,701	\$102,683	23.04%
15	Customer Accounts	\$175,787	\$141,654	\$34,132	24.10%
16	Uncollectibles	\$14,437	\$12,635	\$1,802	14.26%
17	Customer Service & Information	\$39,105	\$37,004	\$2,101	5.68%
18	Administrative & General	\$877,837	\$753,900	\$123,937	16.44%
19	Franchise Requirements	\$51,811	\$51,812	\$0	0.00%
20	Revenue Credits	-\$152,574	-\$156,080	\$3,507	-2.25%
21	Subtotal	\$1,905,487	\$1,604,366	\$301,121	18.77%
22	Escalation	\$123,555	\$106,696	\$0	0.00%
23	Depreciation	\$1,700,569	\$1,428,452	\$0	0.00%
24	Taxes - Other	\$255,695	\$240,255	\$0	0.00%
25	Taxes - Income	\$272,848	\$525,557	\$15,440	2.94%
26	Subtotal - Taxes	\$528,542	\$765,812	-\$237,270	-30.98%
27	TOTAL OPERATING EXPENSE	\$4,258,153	\$3,905,326	\$352,827	9.03%
28	NET REVENUE	\$1,374,527	\$1,727,354	-\$352,827	-20.43%
29	RATE BASE	\$18,685,586	\$17,627,554	\$1,058,032	6.00%
30	RATE OF RETURN	7.36%	9.80%	-2.44%	-24.93%

TABLE 2-3					
SCE GRC Test Year 2015					
Comparison of Summary of Earnings At Proposed Rates					
CPUC Jurisdiction					
Thousands of Nominal Dollars					
line No.	Description	SCE Revenues at Proposed Rates	ORA Revenues at Proposed Rates	SCE Exceeds ORA (\$)	SCE exceeds ORA (%)
1	OPERATING REVENUES:				
2	Base Rate Revenue	\$5,860,457	\$5,168,067	\$692,390	13.40%
3	OPERATING EXPENSES:				
4	Production				
5	Steam	\$7,343	\$2,757	\$4,586	166.35%
6	Nuclear	\$73,818	\$73,818	\$0	0.00%
7	Hydro	\$53,225	\$48,872	\$4,353	8.91%
8	Other	\$122,668	\$108,937	\$13,731	12.60%
9	Subtotal - Production	\$257,054	\$234,384	\$22,670	9.67%
10	Amortization of Legacy Meters	\$64,500	\$64,500	\$0	0.00%
11	MoJave Credit	-\$269	-\$227	-\$43	18.77%
12	SONGS Credit	\$0	\$0	\$0	NA
13	Transmission	\$93,645	\$83,356	\$10,289	12.34%
14	Distribution	\$548,384	\$445,701	\$102,683	23.04%
15	Customer Accounts	\$175,787	\$141,654	\$34,132	24.10%
16	Uncollectibles	\$14,853	\$11,461	\$3,392	29.59%
17	Customer Service & Information	\$39,105	\$37,004	\$2,101	5.68%
18	Administrative & General	\$877,837	\$753,900	\$123,937	16.44%
19	Franchise Requirements	\$53,299	\$47,001	\$6,297	13.40%
20	Revenue Credits	-\$152,574	-\$156,080	\$3,507	-2.25%
21	Subtotal	\$1,907,389	\$1,598,382	\$309,008	19.33%
22	Escalation	\$123,555	\$106,696	\$16,859	15.80%
23	Depreciation	\$1,700,569	\$1,428,452	\$272,117	19.05%
24	Taxes - Other	\$255,695	\$240,255	\$15,440	6.43%
25	Taxes - Income	\$399,367	\$403,959	-\$4,592	-1.14%
26	Subtotal - Taxes	\$655,061	\$644,214	\$10,847	1.68%
27	TOTAL OPERATING EXPENSE	\$4,386,575	\$3,777,743	\$608,831	16.12%
28	NET REVENUE	\$1,473,883	\$1,390,323	\$83,559	6.01%
29	RATE BASE	\$18,685,586	\$17,627,554	\$1,058,032	6.00%
30	RATE OF RETURN	7.89%	7.89%	0.00%	0.01%

		TABLE 2.4		
		SCE GRC Test Year 2015		
		ORA Summary Of Earnings At Proposed Rates		
		Detailed Company Total		
		Thousands Of Nominal Dollars		
Line No.	Description	Total Company	ISO	CPUC
1	TOTAL OPERATING REVENUES			
2	Base Rate Revenue	6,040,248	936,454	5,168,067
3	OPERATING EXPENSES:			
4	Production			
5	Steam	2,757	-	2,757
6	Nuclear	73,818	-	73,818
7	Hydro	48,872	-	48,872
8	Other	108,937	-	108,937
9	Subtotal - Production	234,384	234,384	234,384
10	Amortization of Legacy Meters		-	\$64,500
11	MoJave Credit		-	-\$227
12	SONGS Credit			\$0
13	Transmission	157,908	74,552	83,356
14	Distribution	449,098	3,397	445,701
15	Customer Accounts	141,654	-	141,654
16	Uncollectibles	13,409	2,079	11,461
17	Customer Service & Information	37,004	-	37,004
18	Administrative & General	800,650	46,749	753,900
19	Franchise Requirements	54,936	8,517	47,001
20	Revenue Credits	(201,909)	(45,829)	(156,080)
21	Subtotal	1,687,134	89,465	1,598,382
22	Escalation	113,846	7,150	106,696
23	Depreciation	1,620,706	241,354	1,428,452
24	Taxes Other Than On Income	299,232	58,977	240,255
25	Taxes Based On Income	519,791	120,911	403,959
26	Subtotal - Taxes	819,023	179,887	644,214
27	TOTAL OPERATING EXPENSES	4,240,709	517,857	3,777,743
28	NET OPERATING REVENUE	1,799,539	418,597	1,390,323
29	RATE BASE	22,778,976	5,298,702	17,627,554
30	RATE OF RETURN	7.90%	7.90%	7.89%

		TABLE 2-5		
		SCE GRC Test Year 2015		
		SCE Summary Of Earnings At Proposed Rates		
		Detailed Company Total		
		Thousands Of Nominal Dollars		
Line No.	Description	Total Company	ISO	CPUC
1	OPERATING REVENUES:			
2	Base Rate Revenue	6,778,458	982,232	5,860,457
3	OPERATING EXPENSES:		-	-
4	Production		-	-
5	Steam	7,343	-	7,343
6	Nuclear	73,818	-	73,818
7	Hydro	53,225	-	53,225
8	Other	122,668	-	122,668
9	Subtotal - Production	257,054	-	257,054
10	Amortization of Legacy Meters		-	64,500
11	MoJave Credit		-	(269)
12	SONGS Credit			-
13	Transmission	176,454	82,809	93,645
14	Distribution	556,392	8,007	548,384
15	Customer Accounts	175,787	-	175,787
16	Uncollectibles	17,217	2,495	14,853
17	Customer Service & Information	39,105	-	39,105
18	Administrative & General	936,012	58,176	877,837
19	Franchise Requirements	61,650	8,933	53,299
20	Revenue Credits	(198,203)	(45,629)	(152,574)
21	Subtotal	2,021,468	114,791	1,907,389
22	Escalation	132,650	9,095	123,555
23	Depreciation	1,919,149	267,680	1,700,569
24	Taxes Other Than On Income	314,290	58,596	255,695
25	Taxes Based On Income	507,171	112,866	399,367
26	Subtotal - Taxes	821,461	171,461	655,061
27	TOTAL OPERATING EXPENSES	4,894,728	563,027	4,386,575
28	NET OPERATING REVENUE	1,883,731	419,205	1,473,883
29	RATE BASE	23,844,693	5,306,388	18,685,586
30	RATE OF RETURN	7.90%	7.90%	7.89%

IV. DISCUSSION/ANALYSIS OF JURISDICTIONAL ALLOCATION

The issue of jurisdictional allocation was litigated in SCE's 2003 GRC. ORA recommended the use of the three factors: labor expense, operation and maintenance expense, and plant additions. In D.04-07-022, the Commission adopted Edison's methodology which essentially uses allocation factors based on a T&D study and on labor costs. Edison updated the T&D study using the most recent recorded data to determine the jurisdictional allocation factors used in the current application.

Table 2-6 compares ORA's and Edison's proposed revenue requirement allocation between the two jurisdictions.

Table 2-6					
ORA's and Edison's Jurisdictional Allocation					
(Thousands of Nominal Dollars)					
				SCE Exceeds ORA (\$)	Percentage Difference
	ORA	Edison			
Total Company	6,040,248	6,778,458		\$738,211	12.22%
FERC Jurisdictional	936,454	982,232		\$45,778	4.89%
CPUC Jurisdictional	5,168,067	5,860,457		\$692,390	13.40%

ORA reviewed Edison's workpapers supporting the T&D study and the calculation of the jurisdictional allocation factors, and does not object to using these factors in this GRC. ORA recommends using in this rate case the jurisdictional allocation methodology adopted by the Commission in D.04-07-022. Both ORA and SCE use the jurisdictional allocation factors based on this methodology.

The difference between ORA's and Edison's jurisdictional amounts is due to the difference in total company revenue requirement and not to the methodology used to calculate the jurisdictional allocation. Edison used the methodology adopted in D.04-07-022 to determine the jurisdictional allocation factors. ORA also used the same allocation factors calculated by Edison.

- 1 ORA recommends that the Commission adopt the jurisdictional allocation
- 2 factors used by Edison and ORA in this GRC to allocate cost and revenue
- 3 requirement between the two jurisdictions.